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FOR IMMEDIATE RELEASE

Phoenix Mortgage Broker Who Defrauded Seniors Gets Prison Term

(Phoenix, Ariz. – Nov. 17, 2008) Attorney General Terry Goddard today announced that a Phoenix mortgage broker has been sentenced to prison for operating a residential mortgage scam that defrauded four Phoenix seniors of more than \$400,000.

Rick Thomas McCullough, 36, of Phoenix, was sentenced to three-and-a-half years in prison along with seven years probation and ordered to pay \$343,811 in restitution after he pleaded guilty to one count of securities fraud and one count of fraudulent schemes and artifices on Friday, November 14.

"For far too long, Arizona's seniors have been prey to predatory and abusive lending practices," Goddard said. "This case is a painful reminder of the damage that a single scam artist can inflict in our communities."

According to court documents, McCullough was the president of licensed mortgage broker CactusCash, Inc. In 2005 and 2006, he used this position to persuade four seniors, two single women and one couple, to refinance their homes through him for amounts far greater than the balance of their existing mortgages.

McCullough also convinced all four victims to invest their net refinancing proceeds with him, effectively obtaining for himself much of the equity that these elderly clients had in their homes. McCullough claimed that he would invest the victims' funds in real estate and personally guaranteed the loans. According to the terms of their "investments," McCullough agreed to make monthly payments between \$650 and \$3,150 to the victims.

In fact, McCullough used the money to make personal purchases, including a \$42,000 ring for his wife. Further, McCullough lacked the assets to guarantee any of the loans. His primary method of obtaining funds to make payments to victims was fraudulently obtaining more funds from investors. As a result, McCullough failed to make payments to three of the victims after several months and, in one case, failed to make any payments at all.

"Because of this vicious scheme, an elderly woman may lose her home of 45 years and a 65-year-old victim must choose between a needed surgery and making the new mortgage payment," said Goddard. "I am intent on leading the charge among law enforcement and at the Legislature to protect our seniors and families from financial abuse."

In April 2008, the Arizona Department of Financial Institutions (DFI) filed a complaint with the Office of Administrative Hearings to remove McCullough from the financial services industry. DFI also alleged that McCullough violated mortgage broker statutes.

After an administrative hearing, Superintendent Felecia Rotellini issued a final order barring McCullough from employment with any financial institutions and companies regulated by DFI.

Regarding Friday's sentencing, Superintendent Rotellini said: "This case is the result of our Arizona Mortgage Fraud Task Force. I congratulate Attorney General Goddard for obtaining the conviction and restitution. Through our cooperative efforts, we've protected Arizona citizens from Mr. McCullough and achieved justice for those who were victimized."

This case is the result of an investigation by the Department of Financial Institutions – a member agency of the Arizona Mortgage Fraud Task Force – and the Securities Division of the Arizona Corporation Commission.

A photograph of McCullough is available on the Attorney General's Web site, www.azag.gov. For additional information, contact Anne Hilby at (602) 542-8019.

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